

**CALENDAR ITEM  
69**

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J. Tanner

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**REJECT THE BID FOR THE ROYALTY OIL SALES CONTRACT,  
OIL AND GAS LEASE NOS. PRC 91, PRC 163,  
E-392, PRC 425 AND PRC 426,  
HUNTINGTON BEACH OIL FIELD,  
ORANGE COUNTY**

**APPLICANT:**

California State Lands Commission  
100 Howe Avenue, Suite 100-South  
Sacramento, CA 95825-8202

**BACKGROUND:**

At its meeting on June, 18, 2002, the California State Lands Commission (Commission) authorized the sale of royalty crude oil from several Oil and Gas Leases in Orange County. Paramount Petroleum Corporation (Paramount) is presently purchasing the State's share of crude oil from these leases.

Paramount is paying the State a bonus of \$0.271 per barrel above a base price defined as the highest of the prices posted in the field for oil of like gravity and quality in the Huntington Beach Field on the day of delivery among the postings of Chevron Texaco Corporation, Exxon Mobil Corporation, Union 76, Equiva Trading Company and any successors in interest to these companies. The State's share of production is approximately 805 B/D. The present royalty oil sales contract is for a term of seven months. Royalty oil from these leases may be taken in kind or returned to the lessee on 30 days prior written notice.

A Notice Inviting Bids for a new Royalty Oil Sales Contract to run from January 1, 2003 until January 1, 2004 was published in the Orange County Register on June 28, 2002, and sent to all known interested parties. Bids were received and opened on July 15, 2002. Exhibit A, attached hereto, shows the results of the bidding.

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**STAFF RECOMMENDATIONS:**

Commission staff recommends that the Commission reject the bid submitted for this Crude Oil Sales Contract. It believes that it is not in the best interest of the State to accept the bid because the amount offered for the oil is low. The low bid does not appear to reflect the true market value of the oil being offered for sale.

**OTHER PERTINENT INFORMATION:**

1. Pursuant to the Commission's delegation of authority and the State CEQA Guidelines [Title 14, California Code of Regulations, section 15060(c)(3)], the staff has determined that this activity is not subject to the provisions of the CEQA because it is not a "project" as defined by the CEQA and the State CEQA Guidelines.

Authority: Public Resources Code section 21065 and Title 14, California Code of Regulations, sections 15060 (c)(3) and 15378.

**EXHIBIT:**

- A. Results of Bid Opening

**PERMIT STREAMLINING ACT DEADLINE:**

N/A

**RECOMMENDED ACTION:**

IT IS RECOMMENDED THAT THE COMMISSION:

**CEQA FINDING:**

FIND THAT THE ACTIVITY IS NOT SUBJECT TO THE REQUIREMENTS OF THE CEQA PURSUANT TO TITLE 14, CALIFORNIA CODE OF REGULATIONS, SECTION 15060(c)(3) BECAUSE THE ACTIVITY IS NOT A PROJECT AS DEFINED BY PUBLIC RESOURCES CODE SECTION 21065 AND TITLE 14, CALIFORNIA CODE OF REGULATIONS, SECTION 15378.

**AUTHORIZATION:**

REJECT THE BID FOR THE ROYALTY OIL SALES CONTACT FOR OIL AND GAS LEASE NOS. PRC 91, PRC 163, E-392, PRC 425 AND PRC 426, HUNTINGTON BEACH FIELD, ORANGE COUNTY, BY THE BIDDER LISTED IN EXHIBIT A, ATTACHED HERETO, AND DIRECT COMMISSION STAFF TO RETURN THE STATE'S ROYALTY SHARE OF CRUDE OIL FOR THESE LEASES TO THE STATE'S LESSEE.